

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

AMERICAN ECONOMY INSURANCE
COMPANY,

Plaintiff,

v.

CHL, LLC,

Defendant.

No.:

COMPLAINT FOR DECLARATORY
JUDGMENT

Plaintiff American Economy Insurance Company ("AEIC"), by and through its undersigned attorney, brings this Complaint for Declaratory Relief. AEIC's Complaint is based on the following allegations.

PARTIES

1. AEIC is a corporation in good standing, organized and existing under the laws of Indiana, with its principal place of business in Boston, Massachusetts.

2. Defendant CHL, LLC is a limited liability company organized and existing under the laws of Washington, with its principal place of business in Bellevue, Washington.

JURISDICTION AND VENUE

3. This Court has jurisdiction pursuant to 28 U.S.C. § 1332(a) because this action is between citizens of different states and the amount in controversy exceeds \$75,000,

1 exclusive of interest and costs.

2 4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b)(2) because the
3 subject matter of this lawsuit lies and occurred in King County, Washington.

4 **FACTS**

5 5. AEIC issued the following six insurance policies to CHL, hereinafter referred
6 to as “the Policies” except where otherwise indicated:

7 Policy No. 02-CC-890826-1 Effective 1/28/1999 to 1/28/2000

8 Policy No. 02-CC-890826-2 Effective 1/28/2000 to 1/28/2001

9 Policy No. 02-CC-890826-3 Effective 1/28/2001 to 1/28/2002

10 Policy No. 02-CC-890826-4 Effective 1/28/2002 to 1/28/2003

11 Policy No. 02-CC-890826-5 Effective 1/28/2003 to 1/28/2004

12 Policy No. 02-CC-890826-6 Effective 1/28/2004 to 1/28/2005

13 To the extent a specific Policy is referenced, it will be referenced by the last digit of
14 the Policy number.

15 6. The Policies identify CHL, LLC as the named insured. The Policies provide
16 commercial property insurance coverage, in accordance with the Policies’ terms and
17 conditions, for the Masters Apartments, located at 2038 31st Avenue N.E. in Seattle,
18 Washington (hereinafter “the insured property”).

19 7. The Policies contain provisions providing limited coverage for “collapse.”
20 Policies 1 through 3 contain a different “collapse” provision than Policies 4 through 6. All
21 other Policy language is identical. A full, certified copy of Policy No. 3 is attached to this
22 Complaint as Exhibit A. A certified copy of the “collapse” provision of Policy No. 6 is
23 attached hereto as Exhibit B. The terms of all relevant Policy language is incorporated
24 herein.

25 8. On or about September 26, 2014, CHL reported a claim to AEIC, seeking
26 recovery for losses to the insured property allegedly caused by progressive property damage.

1 9. AEIC investigated CHL's insurance claim. As part of its investigation, AEIC
2 retained expert Jim Perrault of JRP Engineering to examine the insured property and
3 determine the cause and scope of damage.

4 10. AEIC's expert determined that CHL's damages were caused by faulty
5 construction, and that such damages commenced when the insured property was built in or
6 around 1988. The Policies exclude coverage for damages caused by or resulting from faulty
7 construction; therefore, these damages are not covered.

8 11. The Policies provide coverage for loss or damage commencing during the
9 Policy periods. All damages which commenced during construction for the insured property
10 in or around 1988 commenced prior to the Policy periods, and are not covered.

11 12. The Policies contain an exclusion for wear and tear; corrosion, fungus, decay
12 and deterioration; hidden or latent defect; settling, cracking, shrinking or expansion; and
13 continuous or repeated seepage or leakage of water occurring over a period of 14 days or
14 more. To the extent CHL seeks coverage for any of the above conditions, such coverage is
15 excluded under the Policies.

16 13. To the extent that any substantial structural impairment commenced during the
17 effective periods of Policies 1 through 3, such impairment is not covered under the Policies
18 because it did not constitute an imminent threat of collapse.

19 14. To the extent that any substantial structural impairment commenced during the
20 effective periods of Policies 4 through 6, such impairment is not covered under the Policies
21 because the Policies require an abrupt falling down or caving in of the insured property or
22 any part of it.

23 15. In good faith, AEIC provisionally denied CHL's claim in a written letter to
24 CHL's attorney on or about May 6, 2015. See Exhibit C attached. AEIC reserved its rights
25 to further investigate and to value any covered loss by means of the Appraisal provision of
26 the policies.

1 16. CHL has expressed to AEIC its interest and intent to challenge AEIC's
2 coverage determination and seek contractual and extra-contractual damages, and attorney
3 fees.

4 **AEIC'S CLAIM FOR DECLARATORY RELIEF**

5 17. Based on the foregoing allegations, AEIC is entitled to a declaration from the
6 Court that AEIC has no obligation to cover CHL's claimed loss to the insured property
7 because the loss is not a covered cause of loss under the Policies.

8 18. Based on the foregoing allegations, AEIC is entitled to a declaration from the
9 Court that AEIC has no obligation to cover CHL's claimed loss to the insured property
10 because the loss is subject to numerous Policy exclusions.

11 19. Based on the foregoing allegations, AEIC is entitled to a declaration from the
12 Court that AEIC has no obligation to cover CHL's claimed loss to the insured property for
13 any and all additional reasons for which AEIC reserved its rights.

14 20. Based on the foregoing allegations, AEIC is entitled to a declaration from the
15 Court that AEIC acted in good faith pertaining to its claim handling, investigation and claim
16 decision.

17 WHEREFORE, AEIC requests the following relief:

18 A. For a Declaration from the Court that AEIC has no obligation to cover CHL's
19 insurance claim as presently tendered to AEIC;

20 B. For a Declaration from the Court that AEIC has acted in good faith; and

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22 ///

1 C. For all additional relief that this Court deems proper.

2 DATED: June 5, 2015

3 BULLIVANT HOUSER BAILEY PC

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